

STATE OF SOUTH CAROLINA

(Caption of Case)

Leslie and Mark Hendrix
Complainant/Petitioner,

v.

Utilities Services of South Carolina,
Defendant/Respondent.

217801
BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

DOCKET
NUMBER: 2009 - 102 - W

(Please type or print)

Submitted by: Benjamin P. Mustian, Esquire

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DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition

☐ Request for item to be placed on Commission's Agenda expeditiously

☒ Other:

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)		
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July 7, 2009

VIA FIRST CLASS MAIL

The Honorable Charles L.A. Terreni
Chief Clerk/Administrator
Public Service Commission of South Carolina
Post Office Box 11649
Columbia, South Carolina 29211

RECEIVED
JUL 10 2009
SOUTH CAROLINA
PUBLIC SERVICE COMMISSION

RE: Leslie and Mark Hendrix, Complainant/Petitioner v. Utilities Services of South Carolina, Inc., Defendant/ Respondent. Docket No.: 2009-102-W

Dear Mr. Terreni:

Enclosed for filing on its behalf of Utilities Services of South Carolina, Inc. ("USSC") are the original and twenty-five (25) copies of the Direct Testimony of Bruce T. Haas and the Conditional Direct Testimony of Bruce T. Haas in the above-referenced matter. By copy of this letter, I am serving a copy of these documents upon the parties of record and enclose a Certificate of Service to that effect.

I would appreciate your acknowledging receipt of these documents by date-stamping the extra copy that is enclosed and returning the same to me in the self addressed enveloped enclosed.

If you have any questions, or if you need any additional information, please do not hesitate to contact me.

Sincerely,

WILLOUGHBY & HOEFER, P.A.



Benjamin P. Mustian

BPM/cf
Enclosures

cc: Jeffrey M. Nelson, Esquire
Leslie and Mark Hendrix

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2009-102-W

IN RE:)
)
Leslie and Mark Hendrix,)
)
Complainants/Petitioners)
)
v.)
)
Utilities Services of South Carolina, Inc.,)
)
Defendant/Respondent.)
_____)

DIRECT TESTIMONY
OF
BRUCE T. HAAS

1 **Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?**

2 A. My name is Bruce T. Haas, and my business address is 110 Queen Parkway, West
3 Columbia, South Carolina 29169.

4 **Q. WHERE ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am Regional Director of Operations for Utilities Services of South Carolina, Inc.
6 ("USSC") for South Carolina and for six other operating subsidiaries of Utilities, Inc. ("UI"),
7 four of which are in South Carolina and two of which are in Georgia.

8 **Q. HOW LONG HAVE YOU BEEN EMPLOYED IN THE WATER AND SEWER**
9 **UTILITY INDUSTRY?**

10 A. Approximately 31 years.

1 **Q. WHAT IS YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND?**

2 A. I first began my employment as a meter reader and maintenance worker in 1978 by
3 Lake Holiday Utilities, Corp., which is also a subsidiary of the Company's parent, UI.
4 During the next several years, I was promoted to Operator and Operating Manager positions
5 for a number of UI subsidiary systems, while earning various water and wastewater licenses
6 in Illinois and Ohio, including the highest levels of water treatment and wastewater treatment
7 licenses from the Illinois EPA. I eventually became the Area Manager for the Peoria, Illinois
8 region, overseeing the water and wastewater facilities in this area. In 1989, I transferred to
9 Charlotte, North Carolina where I accepted the position of Area Manager for several areas for
10 Carolina Water Service, Inc. of North Carolina, a sister subsidiary of the Company, a job I
11 also performed for the Company which involved operations of the River Hills and Tega Cay
12 Systems in York County, South Carolina. I was eventually promoted to Regional Manager
13 while in Charlotte. During this time I also obtained various water and wastewater licenses in
14 Water Treatment, Water Distribution, Wastewater Collection, and Backflow/Cross-
15 Connection certifications from the State of North Carolina and took night courses in Civil
16 Engineering Technology. I also hold the highest levels of water and wastewater certifications
17 for Water Treatment, Water Distribution, Wastewater Treatment and Wastewater Collection
18 from the State of South Carolina. Additionally, I have successfully completed the utility
19 regulation seminar sponsored by NARUC. In 2002, I was promoted to my current position as
20 Regional Director and given responsibility for the Company's systems in South Carolina,

1 along with two subsidiary companies located in Georgia. However, the majority of my time
2 is spent working on issues pertaining to the Company's South Carolina systems.

3 **Q. WHAT ARE YOUR DUTIES WITH USSC?**

4 A. I am responsible for making sure our customers receive the best possible service. As
5 such, I am responsible for all operating personnel, facilities, maintenance and capital
6 projects. I oversee all customer relations issues including resolution of customer complaints.
7 In addition, I am responsible for communications with state and federal regulators, including
8 state utility commissions and environmental authorities as well as other operational issues.
9 In this capacity, I assist USSC with proceedings before the Public Service Commission of
10 South Carolina ("Commission") and most recently presented testimony on the Company's
11 behalf in its rate filings in Docket Nos. 2005-217-WS and 2007-286-WS.

12 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING, MR.**
13 **HAAS?**

14 A. The purpose of my testimony is to respond to the direct testimony of Ms. Leslie
15 Hendrix filed in support of her complaint against the company.

16 **Q. WHAT IS YOUR UNDERSTANDING OF THE ISSUES RAISED BY MRS.**
17 **HENDRIX IN THIS PROCEEDING?**

18 A. I understand Ms. Hendrix's direct testimony to raise concerns about the Company's
19 billing procedures, the provision in its Commission approved rate schedule pertaining to the
20 pass-through of bulk water costs incurred by the Company, unaccounted for water in USSC's
21 water system serving Dutchman Shores subdivision, and the allocation of shared expenses

1 between USSC and UI's other South Carolina water and sewer utilities.

2 **Q. WHAT COMMENTS DO YOU HAVE REGARDING MS. HENDRIX'S**
3 **TESTIMONY ADDRESSED TO DELAYED BILLING OF HER ACCOUNT?**

4 A. First, let me state that USSC, I and all other Company employees regret very much
5 any inconvenience delayed billing has caused for Ms. Hendrix and other customers. We also
6 regret the fact that delayed billing has caused this proceeding to be brought before the
7 Commission. I would add, however, that the delayed billing problem arose out a well-
8 intended effort. Specifically, and as the Commission is aware, USSC recently converted to a
9 new computer software and hardware system pursuant to the recommendation made in the
10 Management Audit conducted of UI and its subsidiaries by Schumacher and Company at the
11 request of ORS. One feature of the new computer operating system, which USSC brought on
12 line on June 2, 2008, is a program called "Customer Care and Billing" ("CCB") that handles
13 all of the customer consumption and billing functions. In the transition to CCB from
14 USSC's prior billing system, an error occurred in the billings to Ms. Hendrix and certain
15 other USSC customers. In the case of Ms. Hendrix, the error resulted in their not being
16 issued an invoice in July or October of 2008 and their billings being approximately thirty
17 days behind. USSC is working to resolve the issues with CCB and believes that the
18 circumstance described herein will not be replicated in the future. I would note that Ms.
19 Hendrix was not harmed as a result of this error.

20 **Q. WHAT IS YOUR UNDERSTANDING OF MS. HENDRIX'S TESTIMONY**
21 **REGARDING THE PASS-THROUGH PROVISION OF USSC'S RATE SCHEDULE?**

1 A. I understand Ms. Hendrix to be asserting that USSC is not employing the pass-
2 through provision of its rate schedule in a manner consistent with Commission orders
3 because we pass through to customers the entire cost of bulk water instead of adjusting our
4 approved water service rates for any increase in bulk water costs.

5 **Q. DO YOU AGREE WITH HER ASSERTION IN THAT REGARD?**

6 A. No, I do not. I believe it is important to first explain how the water rate schedule
7 approved by the Commission for USSC in Docket Number 2005-217-WS is structured and
8 operates with respect to charges rendered to two different types of residential water
9 customers – those who receive water that is supplied from wells owned by USSC and those
10 who receive water supplied by bulk providers. For all customers, USSC is authorized to
11 recover a basic facilities charge, or “BFC.” The BFC is a minimum monthly charge that
12 recovers a portion of the fixed costs of utility service such that each customer pays a share of
13 the cost of the water facilities necessary to provide service. All customers also pay a
14 commodity charge, but the amount differs depending on the type of customer. The
15 commodity charge for customers whose water is supplied by USSC is based upon each
16 customer’s consumption and is designed to recover costs associated with the production,
17 treatment and transmission of the water supplied.

18 In certain of our water systems, USSC distributes water purchased from bulk
19 suppliers, which are typically governmental entities such as municipalities, counties or
20 special purpose districts. For customers like Ms. Hendrix who receive bulk supplied water,
21 USSC is authorized to collect a commodity charge related to its costs incurred in distributing

1 the bulk water. This commodity charge is lower than that imposed on customers who are
2 supplied water from USSC's wells. In addition to the BFC and this "reduced" commodity
3 charge, USSC is also allowed to pass through directly to these customers the costs of the bulk
4 water on a pro rata basis without markup. These charges are set out in "Charges for Water
5 Distribution Only" portion of Section 1 of USSC's water rate schedule approved by the
6 Commission in Order Number 2006-22. We refer to customers charged under this portion of
7 our rate schedule as "Distribution Only" customers. On our bills to customers, the pass-
8 through amount is stated separately as the "water supply charge."

9 **Q. IS MS. HENDRIX CHARGED FOR WATER IN ACCORDANCE WITH THIS**
10 **PROVISION OF THE COMPANY'S RATE SCHEDULE?**

11 A. Yes. USSC charges Ms. Hendrix and all of its other customers in Dutchman Shores
12 Subdivision, the BFC, the distribution only customer commodity charge and a pro rata share
13 of the charges incurred from the bulk supplier in accordance with this portion of the
14 Company's Commission approved rate schedule.

15 **Q. DOES USSC RECOVER ANY OF ITS COSTS FOR BULK WATER AS PART OF**
16 **EITHER THE BFC OR THE COMMODITY CHARGE IMPOSED UPON**
17 **"DISTRIBUTION ONLY" CUSTOMERS?**

18 A. No, it does not. When the pass through provision approved by the Commission for
19 use by USSC was placed into effect, the costs for bulk water obtained from governmental
20 suppliers were removed from expenses allowed to USSC for rate making purposes. As is
21 reflected in the "reduced" commodity charge, these costs were removed from USSC's base

1 rates and are not recovered through either the BFC or the distribution charge. The effect of
2 this change in determining USSC's allowable expenses was that USSC began to recover the
3 cost of bulk water directly from those customers receiving water supplied by bulk providers
4 instead of USSC. While Ms. Hendrix appears to suggest that a portion of the water supply
5 charge is contained within the Company's base rates and that only increases in these charges
6 should be recovered from the customers, this suggestion is simply incorrect and contrary to
7 the clear language in USSC's Commission approved tariff.

8 **Q. WHAT COMMENT DO YOU HAVE REGARDING MS. HENDRIX'S**
9 **CONTENTION THAT USSC HAS NOT PROVIDED NOTICE WHEN BULK**
10 **SUPPLIERS INCREASE THEIR CHARGES TO USSC?**

11 A. I would respectfully disagree with Ms. Hendrix to the extent that she is asserting that
12 USSC has failed to notify the Commission when a bulk supplier has notified the Company of
13 an increase in its bulk rates. Unfortunately, the only bulk supplier that has ever notified
14 USSC of any increase since this provision of the Company's rate schedule became effective
15 has been the City of West Columbia. In that instance, USSC informed both the Commission
16 and the customers of the increase although the notice could not be given exactly as
17 contemplated by Commission Order Number 2006-22 in Docket Number 2005-217-WS.
18 This was because the City of West Columbia only provided USSC twenty-four days notice
19 before the increase was to take effect. Additionally, USSC recently became aware that
20 Hammond Water District ("Hammond") planned to increase its rates for bulk water supply;
21 however, Hammond failed to notify USSC of the pending increase. Once it learned of the

1 rate change, USSC immediately notified the Commission and all of the affected customers in
2 accordance with Order Number 2009-256.

3 **Q. HAS THE COMPANY EXPERIENCED SIMILAR PROBLEMS WITH OTHER**
4 **BULK SUPPLIERS?**

5 A. Yes. In fact USSC has experienced similar notice problems with the City of
6 Columbia which, as I previously stated, provides bulk water to USSC for the system serving
7 Dutchman Shores Subdivision where Ms. Hendrix resides and which has never provided
8 USSC a notice of any increase in its bulk water charges.

9 **Q. ARE YOU AWARE OF ANY EFFORTS TO ENCOURAGE USSC'S BULK**
10 **SUPPLIERS TO PROVIDE ADVANCE NOTICE TO THE COMPANY OF**
11 **INCREASES IN THEIR BULK RATES?**

12 A. Yes. I am aware that, as a result of the abbreviated notice USSC received from the
13 City of West Columbia, the Commission previously requested ORS to address the need for
14 advance notice from governmental suppliers of bulk water of increases in their rates.
15 According to its letter dated November 14, 2006, filed in Docket No. 2005-217-WS, ORS
16 has mailed requests to each of the bulk suppliers serving USSC requesting that they provide
17 sufficient notice of any increases in their bulk rates. This effort does not appear to have been
18 successful to date, however, as is demonstrated by our experience with Hammond Water
19 District and the City of Columbia. Since the bulk suppliers are governmental entities, it is my
20 understanding that they are exempt from regulation by the Commission and therefore may
21 not be required to provide such notice. Because of these difficulties, the Commission has

1 previously waived strict compliance with the requirements of Order Number 2006-22 in this
2 regard.

3 **Q. MS. HENDRIX ASSERTS THAT USSC SHOULD BE RESPONSIBLE FOR A**
4 **BROKEN MAIN LINE AND LEAKS ON MS. HENDRIX'S PROPERTY CAUSED**
5 **BY HIGH WATER PRESSURE ON THE DUTCHMAN SHORES SYSTEM; WOULD**
6 **YOU PLEASE COMMENT ON THAT?**

7 A. While Ms. Hendrix has not presented any evidence that high water pressure caused
8 the problems complained of, I disagree that USSC is responsible for either a main break or
9 other leaks due to caused by high water pressure.

10 **Q. WOULD YOU PLEASE ELABORATE?**

11 A. Yes. Regarding the pressure question, it is true that a test conducted at Ms. Hendrix's
12 residence at her request reflected water pressure in excess of one hundred twenty five pounds
13 per square inch, or "PSI". I would note that this fact did not cause USSC to be "out of
14 compliance" with Commission Regulation 103-774.A.2. This is so because, when the
15 pressure was elevated, it was as a result of increases in pressure in the City of Columbia bulk
16 water distribution system. The increased pressure in the City's system was caused by main
17 breaks in its system which, when repaired, caused a malfunction in the City's water pump
18 control valves. This, in turn, caused increase water pressure in the USSC system. These
19 events were beyond USSC's control.

20 USSC cooperated fully with ORS in its investigation of the matter and provided to
21 ORS documentation of the City's responsibility for the increased pressure and the steps taken

1 by the City to address and correct the problem. In addition, USSC installed digital pressure
2 recording devices at various locations in the Dutchman Shores Subdivision for the purpose of
3 testing pressure at 10%-15% of all service locations. The results of this testing were then
4 submitted to ORS to provide it with a broad-based study of pressure levels in the subdivision.
5 It is my understanding that ORS has since conducted separate meter accuracy tests at all
6 service locations subjected to pressure testing. To USSC's knowledge, there are no current
7 customer complaints regarding excess pressure in the Dutchman Shores Subdivision and I
8 would point out that Ms. Hendrix's testimony acknowledges that her water pressure is
9 currently within normal limits.

10 Furthermore, while Ms. Hendrix states that "USSC seems to have remedied the water
11 pressure issue," USSC believes that the resolution of any issues Ms. Hendrix may have had
12 with water pressure in the past were also a direct result of her subsequent compliance with
13 Lexington County Building Code Ordinance Section 1.4.4, incorporating Section 604 of the
14 International Plumbing Code, a copy of which I have attached to my testimony as Exhibit
15 "A". This ordinance states that a water pressure reducing valve is required in dwellings
16 which are served by systems delivering water at a pressure of eighty PSI. As the
17 Commission is aware, its regulations allow for normal pressure up to one hundred twenty-
18 five PSI. During the time period in which Ms. Hendrix complained of high water pressure,
19 she did not have the required pressure reducing device installed at her home. However, as is
20 evident from her testimony, Ms. Hendrix installed a pressure reducing device at her premises
21 at some time four years ago. Therefore, to the extent that high water pressure could have

1 caused high consumption, which we also dispute, the Company believes that Ms. Hendrix
2 bears responsibility because, at that time, she did not have the pressure reducing device
3 installed as required by Lexington County.

4 **Q. DO YOU HAVE ANY COMMENT REGARDING MS HENDRIX'S TESTIMONY**
5 **THAT USSC IS COLLECTING FROM CUSTOMERS IN THE PASS-THROUGH**
6 **MORE THAN IT IS BEING BILLED BY THE CITY OF COLUMBIA FOR BULK**
7 **WATER?**

8 A. Yes. Contrary to Ms. Hendrix's assertion, customers are not being charged more than
9 what is billed to the Company by the City of Columbia. USSC passes the cost of this bulk
10 water through to customers on a pro rata basis without mark-up. USSC does not earn any
11 return on these charges and only recovers its cost in accordance with the Commission
12 approved rate schedule.

13 **Q. WOULD YOU PLEASE ELABORATE ON THAT ANSWER?**

14 A. Certainly. As the Commission is aware, USSC is authorized under Section One of its
15 approved rate schedule to pass through the full amount it is charged for bulk water by the
16 City of Columbia on a pro rata basis without markup. We do this by spreading the City's
17 charge among all customers in the subdivision based upon their individual metered
18 consumption relative to the metered consumption of all customers in the billing period.
19 Because the City bills USSC for the bulk water the City provides in arrears, the consumption
20 metered at customer premises will not be for the same period of time as the bulk metered
21 consumption. This leads to fluctuations in the pass-through amount shown as the water

1 supply charge on customers' bills. In addition, the bulk charges imposed by the City can also
2 fluctuate. This causes further variances in the amount of pass-through charges to customers.

3 **Q. WITH RESPECT TO VARIANCES IN THE PASS-THROUGH CHARGES, ARE**
4 **YOU FAMILIAR WITH MS. HENDRIX'S TESTIMONY WITH RESPECT TO**
5 **EQUITABLE BILLING?**

6 A. Yes. Ms. Hendrix states that current billing practices utilized by USSC result in
7 different rates for residents in Dutchman Shores such that different residents pay different
8 rates from each other. In support of this assertion, Ms. Hendrix references her complaint
9 filed in this matter in which she makes two assertions. First, that customers are being billed
10 different water supply charges for the same billing period, and, second, that customers are
11 being billed different water supply charges on different billing cycles.

12 **Q. WHAT IS YOUR RESPONSE TO THE DIFFERENCE IN THE PASS THROUGH**
13 **AMOUNT CHARGED TO CUSTOMERS WITH BILLS RENDERED IN THE SAME**
14 **BILLING CYCLE?**

15 A. USSC has investigated Ms. Hendrix's claim that the pass through amount of \$3.3659
16 charged to Mr. Dawkins was different than the pass through amount of \$3.7825 charged to
17 Ms. Hendrix for the same billing period of May 21, 2008 through June 19, 2008. USSC's
18 review of these accounts revealed a billing error in which Mr. Dawkins and fifteen other
19 customers in Dutchman Shores were inadvertently charged the pass-through amount in effect
20 for the prior period. Therefore, USSC undercharged these customers for the May 21, 2008
21 through June 19, 2008 billing period. The Company does not intend to seek recovery of

1 these undercharges. In addition, our investigation of this issue revealed that twenty-five
2 customers in the Dutchman Shores subdivision were inadvertently charged a pass through
3 amount in excess of the correct amount for the billing periods covered by their invoices.
4 These customers will receive a credit on their next bill with an explanation of the error which
5 caused the inadvertent overbilling. The Company regrets the error and appreciates Ms.
6 Hendrix notifying us of these discrepancies.

7 **Q. DO YOU HAVE ANY COMMENT REGARDING MS. HENDRIX'S CLAIMS THAT**
8 **CUSTOMERS ARE BEING CHARGED DIFFERENT WATER SUPPLY CHARGES**
9 **FOR DIFFERENT BILLING CYCLES?**

10 A. Ms. Hendrix's testimony in this regard is correct for the same reasons I stated
11 previously with respect to variations in the Company's bulk supply charges. Each month, the
12 Company allocates the bulk supply charges to customers based upon their individual metered
13 consumption relative to the metered consumption of all customers in the billing period. This
14 amount will vary each month due to timing delays between the time the bulk bill is received
15 by the Company and the customer bills are rendered. As well, the pass through amount is
16 affected each month by total consumption on the system as well as fluctuations in the amount
17 charged by the bulk supplier.

18 Additionally, the applicable pass through charge to each customer can be affected by
19 the billing period during which a customer's bill is calculated. For example, Exhibit A to
20 Ms. Hendrix's complaint includes invoices rendered for billing periods ranging from twenty-
21 nine days to sixty-five days. As I explained previously, USSC experienced billing delays at

1 the time these invoices were issued due to the implementation of the Company's CCB
2 program. These delays resulted in some customers not receiving an invoice in July 2008;
3 rather, these customers were billed the following month for two billing periods. Because
4 these invoices were calculated based on a different number of days as well as for
5 consumption in two different billing periods, the applicable pass-through charge necessarily
6 varied between customers. Again, USSC believes that these circumstances have been
7 resolved and will not be repeated in the future.

8 **Q. COULD YOU ADDRESS MS. HENDRIX'S CLAIM THAT THE CITY OF**
9 **COLUMBIA AND CITY OF CHAPIN CUSTOMERS ARE PAYING LESS THAN**
10 **HALF THE RATES OF THE DUTCHMAN SHORES RESIDENTS?**

11 A. I do not believe that it is appropriate to compare the Company's rates based upon
12 what some other entity may charge its customers. As pointed out by Ms. Hendrix, several
13 other water service providers currently serve in the areas in and around the City of Columbia.
14 The entities identified by Ms. Hendrix in her presentation are governmental entities which
15 provide water and sewerage service and have the ability to raise "cost-free" revenue by way
16 of property taxes. And, to the extent that they have to borrow money, these districts have
17 bonding capacity which allows them to acquire debt capital at a much lower cost than that
18 which a private entity incurs in commercial capital markets. Also, these entities have no
19 obligation to shareholders to make a profit, nor do they pay taxes. Additionally, certain
20 governmental entities have the ability to charge higher rates to its customers who do not live
21 in the City, which subsidizes the rates paid by residents. So, service rates charged by

1 governmental entities or not-for-profit entities to resident customers should be lower than
2 those of a private entity.

3 Additionally, it appears that Ms. Hendrix does not fully understand how her bills are
4 calculated. As I stated earlier, in certain subdivisions such as Dutchman Shores, USSC
5 receives water through a bulk supplier and then distributes that water to its customers. In
6 these instances, USSC imposes a distribution charge which allows the Company to recover
7 its costs to operate and maintain the distribution portion of the water system. Furthermore,
8 the Company passes the costs of the bulk water through to its customers without mark-up
9 pursuant to its Commission authorized tariff. Even though the cost is passed through directly
10 to the customer, that is not to say that the cost of the bulk water supply charged by the
11 supplier is necessarily reasonable.

12 **Q. COULD YOU ELABORATE ON THAT LAST POINT?**

13 **A.** Yes. The per thousand gallon charges for bulk water supply charged by governmental
14 entities such as the City of Columbia are the same as those the districts charge their full
15 service customers. Those districts do not have a reduced fee for those customers such as
16 USSC which only receive bulk water supply and, instead, are charging full service fees
17 without having to maintain a full service system. Unfortunately, these charges are not
18 established by USSC and are not subject to approval by the Commission. USSC believes
19 that the Ms. Hendrix's complaint concerning these rates is, therefore, more appropriately
20 directed at the individual bulk suppliers.

1 **Q. MS. HENDRIX STATES THAT USSC CLAIMED THAT ITS CUSTOMERS WERE**
2 **ONLY SUPPOSED TO SEE A WATER SUPPLY CHARGE OF TWO DOLLARS**
3 **AND EIGHTY NINE CENTS PER ONE THOUSAND GALLONS AS A RESULT OF**
4 **THE COMMISSION’S APPROVAL OF THE PASS-THROUGH PROVISION OF**
5 **THE COMPANY RATE SCHEDULE IN 2005; IS THAT CORRECT?**

6 **A.** No. Ms. Hendrix’s testimony cites a pass-through amount that was calculated by
7 ORS with respect to a rate case brought by USSC in 2005. However, neither ORS nor USSC
8 asserted in that proceeding that the amount of bulk water costs recovered from customers
9 would be set based upon the then current per thousand gallon charge imposed by bulk
10 suppliers on USSC. In fact, both USSC’s rate schedule and the ORS testimony exhibit
11 described in Ms. Hendrix’s testimony specify that the bulk supply charges will be passed
12 through “on a pro rata basis without markup.” This language clearly permits USSC to pass
13 through to customers the entire dollar amount of a bill of a bulk supplier in an amount
14 proportionate to their consumption and that is exactly what the Company has done. And,
15 USSC is not limited to recovering only the supplier’s applicable per thousand gallon charge
16 as Ms. Hendrix’s exhibit to her testimony suggests. The ORS testimony exhibit she relies
17 upon contemplates that the bulk rate will change inasmuch as it states that bulk charges may
18 contain a base facility charge and a commodity charge imposed by the bulk supplier.
19 Therefore, in those situations, the per-thousand gallon charge passed through by USSC
20 would necessarily be higher than the supplier’s commodity charge.

1 **Q. IS MS. HENDRIX CORRECT IN HER CONTENTION THAT USSC CUSTOMERS**
2 **HAVE BEEN CHARGED MORE IN PASS-THROUGH CHARGES THAN THE**
3 **CITY OF COLUMBIA HAS BILLED USSC?**

4 **A.** No. Attached to my testimony as Exhibit "B" is a chart showing the amount USSC
5 collected from customers in Dutchman Shores Subdivision in pass-through charges in the
6 fifteen month period beginning September 2007 and ending November of 2008. This period
7 includes the time frame relating to the bulk charges imposed by the City of Columbia for the
8 twelve month bulk billing period of September 2007 through August 2008 that Ms. Hendrix
9 uses on page two of her testimony exhibit. As can be seen from this chart, in any twelve
10 months during this fifteen month period, USSC passed through to customers an amount that
11 never exceeded the City's bulk charge to USSC by more than 1.7% and in two of these
12 twelve month periods, the amount passed through was actually 5% less than the amount of
13 the City's bulk charge. Also, this chart demonstrates that the average amount passed through
14 to customers for twelve months during this fifteen month period is \$33,280.75, which is less
15 than the amount passed through by the City as shown on Ms. Hendrix's testimony exhibit.
16 My Exhibit "B" includes periods that go beyond the twelve months selected by Ms. Hendrix
17 to take into account the fact that USSC receives bulk bills in arrears and passes them through
18 to customers in arrears. Also, it is necessary to do so to address the delayed billing problems
19 which manifested themselves in July of 2008. Having said that, the Company recognizes
20 that delays arising from receiving bulk bills in arrears is a legitimate concern and has a
21 proposal to address that concern.

1 **Q. WHAT IS THIS PROPOSAL?**

2 A. The Company proposes that it be allowed to estimate monthly bulk billings by the
3 City of Columbia to generate a “real time” water supply charge for customer bills. We would
4 do this by taking readings of the bulk meter serving the Dutchman Shores subdivision
5 immediately prior to the issuance of our customer bills and use these readings to estimate that
6 month’s cost of bulk water provided by the City. The pass-through amount would be based
7 upon that estimated charge. After the end of each twelve month period in which this process
8 is followed, the Company would add up the total charges imposed by the City and “true up”
9 any difference, positive or negative, between the estimate and actual bulk water charge
10 imposed by the City of Columbia, adjusted for any known system usage or documented leaks
11 not metered to customers, an unaccounted for water allowance of 10% of the bulk metered
12 gallons, and any changes in the City’s rates. The true-up would be effected by a credit or
13 surcharge as appropriate on the first monthly customer bill following the annual period. This
14 process would also be a reasonable means of addressing unaccounted for water levels in
15 excess of the 10% standard which has been adopted by the Commission and will also address
16 the fact that charges for bulk water and charges to USSC’s customers are based on different
17 time periods. In other words, the pass-through will be closer to real-time in its application
18 and alleviate the effect of different consumption periods on billing. I have attached as
19 Exhibit “C” an example of how the current method affects customer bills and how this
20 proposal, if implemented, will address the concern.

1 **Q. WHY IS A TRUE-UP NEEDED?**

2 A. In addition to adjusting for unaccounted for water in excess of 10%, there needs to be
3 a means whereby increases in bulk water charges by the City which are either not noticed or
4 imposed in the middle of a billing or consumption cycle can be addressed. It will also
5 provide a means for an annual accounting which can be audited.

6 **Q. MR. HAAS, WHY WOULD THERE BE DIFFERENCES IN THE AMOUNTS**
7 **PASSED THROUGH AND THE CITY'S BULK CHARGES SUCH AS THOSE YOU**
8 **JUST DESCRIBED?**

9 A. These differences can be attributable to adjustments in customer bills, adjustments in
10 bulk bills, customer accounts being closed, changes in bulk rates and a variety of other
11 factors. I would note that if the Commission approves the Company's proposed "real time"
12 billing of bulk water charges passed through to customers, the consumption periods shown
13 on my Exhibit "B" could be matched to bulk billing periods of the type shown on Ms.
14 Hendrix's testimony exhibit.

15 Finally, the total charges passed through to USSC's distribution customers will vary
16 due to the fact that the governmental suppliers charge for the total amount of water supplied.
17 This amount includes water consumed by the customers, non-account water, which includes
18 documented flushing and leaks on the system, and unaccounted for water. Because this
19 amount can vary from month to month, the proportionate amount passed through to
20 customers will similarly vary and affect the monthly pass through amount.

21 **Q. MS. HENDRIX'S TESTIMONY IMPLIES THAT USSC IS NOT COMPLYING**

1 **WITH THE PROCEDURE APPROVED BY THE COMMISSION FOR SERVICE**
2 **RENDERED BY KIAWAH ISLAND UTILITY; IS USSC REQUIRED TO FOLLOW**
3 **THE SAME PROCEDURE?**

4 A. No. The rate schedule approved by the Commission for Kiawah Island Utility, or
5 “KIU”, does not contain a pass-through. As described in Order No. 2002-285, the
6 Commission permits KIU to increase its approved **rate** for water service to a customer by the
7 amount of any documented increase in the cost of purchased water acquired by KIU from the
8 St. John’s Water Company. This process allows KIU to avoid the need to periodically
9 request rate relief in order to adjust its **rates** to recover increases in its recurring purchased
10 water expense. I would note that KIU only serves one area and purchases all of its bulk
11 water from a single supplier. By contrast, the pass-through provision in USSC’s approved
12 rate schedule is a means by which the charges imposed by multiple providers of bulk water to
13 USSC are passed through directly to the customers receiving bulk water. As the Commission
14 is aware, USSC serves over 82 systems in eight counties using a number of bulk providers.
15 Therefore, the amount of bulk charges for USSC can change on a monthly basis and USSC’s
16 Commission approved tariff allowing the Company to pass through changes in the amount of
17 bulk water costs when they occur is appropriate.

18 **Q. IS THE COMPANY OPPOSED TO CHANGING THE PASS THROUGH**
19 **PROVISION IN ITS RATE SCHEDULE AS THE MS. HENDRIX REQUESTS?**

20 A. Yes, but let me qualify my answer to that question by saying that rate design is a
21 matter within the discretion of the Commission. I would note, however, that elimination of

1 the pass-through provision would necessarily result in these costs being recovered through
2 the Company's base rates and would result in increases in monthly bills for some customers
3 and decreases in monthly bills for other customers. Furthermore, such a revision in the
4 Company's currently approved rate schedule would affect all USSC rate payers and could,
5 therefore, only be addressed in a general rate making proceeding.

6 **Q. MS. HENDRIX REQUESTS THAT THE COMMISSION REVERSE THE PASS**
7 **THROUGH MECHANISM; WHAT COMMENT DO YOU HAVE ON THIS**
8 **REQUEST AND ASSERTION?**

9 A. As I have previously explained, the Company has applied the pass through provision
10 of its Commission approved rate schedule appropriately and has recovered from customers
11 no more than the costs incurred by USSC in obtaining bulk water from the City of Columbia.
12 Therefore, any requirement that USSC credit or refund customer accounts would result in an
13 impermissible retroactive reduction of these customers' rates. Furthermore, while such a
14 reimbursement may result in a credit for some customers, many other customers, including
15 USSC's full service customers, would necessarily be subjected to rate **increases** in order to
16 reflect the inclusion of bulk water expenses in USSC's general rate structure. Also, if such a
17 refund were allowed, USSC should similarly be allowed to recover the cost of the refund
18 resulting in a one-time assessment from the rest of its customer base; otherwise, the
19 Company would be unable to recover its already incurred expenses and would not be allowed
20 to earn a fair return on its investment. Such a request by Ms. Hendrix is clearly
21 unreasonable, would work an undue hardship on the Company and many of its other

1 customers throughout South Carolina, and is simply inconsistent with long-standing
2 regulatory practices.

3 **Q. DO YOU HAVE ANY FURTHER RESPONSE TO MS. HENDRIX'S TESTIMONY**
4 **REGARDING UNACCOUNTED FOR WATER?**

5 A. Yes, I do. Ms. Hendrix states that USSC has experienced "extreme water loss" in the
6 Dutchman Shores subdivision. In order to address this allegation, it is first important to
7 understand how and where water is consumed and used on a water system. Water supply is
8 primarily consumed by customers and is directly recorded through the use of water meters
9 which register the gallons each customer consumes. However, certain amounts of water are
10 also consumed by the utility in its provision of water service. This water consumption is
11 typically referred to as "non-account water" and includes water consumed by the utility to
12 flush water lines so as to provide safe and reliable water service. USSC performs regular
13 flushing to ensure the provision of safe and reliable water service by removing buildup of
14 minerals and other deposits and improving water quality. A flushing program such as that
15 employed by USSC and approved by the South Carolina Department of Environmental
16 Control necessarily consumes large amounts of water on the system which contributes to the
17 amount of water purchased from bulk suppliers.

18 Non-account water also includes documented water loss incurred due to main breaks
19 or leaks. While USSC employs a maintenance program and a capital improvements program
20 on its water systems, the nature of providing utility water services unfortunately results in
21 unavoidable main breaks and water leaks. In accordance with the American Waterworks

1 Association, or AWWA, standard, water consumed as a result of leaks or breaks is properly
2 included as non-account water when the Company can identify the amount of water lost.

3 The remaining amount of water is typically referred to as "unaccounted for water."
4 Unaccounted for water largely consists of undetected leaks or other forms of water loss. For
5 example, as I testified in the Company's most recent rate case, USSC became aware of leaks
6 on only a few of its systems which went undetected for a period of time. Unfortunately, these
7 leaks did not manifest themselves in surface water ponding and, as such, were very difficult
8 to locate. In order to limit water loss from these types of events, the Company undertook a
9 water audit in accordance with AWWA standards in all systems where unaccounted for water
10 either exceeds the 10% standard deemed acceptable by the AWWA or was a negative
11 number. In addition, in all water systems that exceeded that standard, the Company
12 implemented a leak detection program and began recording all account water use, requested
13 permission of bulk water providers to test their master meters, and compared those test
14 results to customer meters, in order to assist in determining the cause of both excess
15 unaccounted for water and negative unaccounted for water.

16 **Q. DO YOU AGREE WITH THE CALCULATION SHOWN ON PAGE THREE OF MS.**
17 **HENDRIX'S TESTIMONY EXHIBIT THAT UNACCOUNTED FOR WATER IN**
18 **DUTCHMAN SHORES SUBDIVISION WAS 13.23% FOR THE TWELVE-MONTH**
19 **PERIOD ENDING AUGUST 2008?**

20 **A.** Yes. But I would note that the unaccounted for water for the twelve-month period
21 ending October 2008 is only 4.72% using the figures shown on that exhibit.

1 **Q. WHY IS THAT SIGNIFICANT?**

2 A. Because it demonstrates that unaccounted for water figures will vary from time to
3 time over any given twelve month period. The Commission has previously accepted a 10%
4 unaccounted for water standard as being reasonable and appropriate in its Order Number
5 2002-866 in Docket Number 2002-239-W/S, dated December 23, 2002. Therefore, I
6 disagree that the Dutchman Shores subdivision has experienced “extreme water loss” as Ms.
7 Hendrix asserts.

8 **Q. WOULD YOU PLEASE ADDRESS THE PORTION OF MS. HENDRIX’S**
9 **TESTIMONY REGARDING THE AMOUNT OF WATER USED BY USSC IN**
10 **FLUSHING THE DUTCHMAN SHORES SYSTEM?**

11 A. Yes. Ms. Hendrix questions how system flushing could use exactly 40,000 gallons
12 during each of flushing. The number of gallons used in system flushing is calculated based
13 upon estimated flows from either hydrants or “blow-offs. Because the Company’s operators
14 have years of experience in the field performing what is a necessary and routine maintenance
15 task, we believe these estimates are reasonable in calculating the amount of water consumed
16 during flushing. Ms. Hendrix also suggests that the Company should record the exact amount
17 of water consumed through flushing by reading the master meter before and after flushing.
18 This procedure is not feasible, however, as a review of flow at a bulk master meter will not
19 record gallons used in flushing since flow at the master meter would simultaneously reflect
20 both customer consumption and system usage. ORS has suggested that the Company meter
21 individual blow-off valves and hydrants in Dutchman Shores. USSC is of the view that this

1 is not necessary and would be unduly expensive. In addition to the reliability of the estimates
2 made by our operators based on their years of experience in the field which makes such an
3 effort unnecessary, the cost to do this would be significant. Each of our field staff would be
4 required to have two types of meters, one for hydrants and one for blow-offs, that would cost
5 about \$600 to \$800 each with necessary fittings. All of the blow-offs would need to be
6 upgraded so as to allow the installation of a “flushing meter.” The total cost could run in
7 excess of \$25,000 if this is required.

8 **Q. DO YOU HAVE ANY COMMENTS WITH RESPECT TO MS. HENDRIX’S**
9 **TESTIMONY THAT USSC HAS ATTEMPTED TO “HIDE” WATER LOSS?**

10 A. Yes. The first three pages of the exhibit to Ms. Hendrix’s testimony are based upon
11 a spreadsheet USSC provided to ORS. Ms. Hendrix suggests that USSC added data for the
12 months of September and October 2008 in an attempt to “defray the appearance of ‘extreme’
13 water loss. This is untrue. As I have previously stated, USSC experienced billing difficulties
14 in June and July of 2008 when it implemented its CCB program. As I have also previously
15 mentioned, customer consumption associated with USSC’s billing cycles do not precisely
16 match the time periods associated with the City of Columbia bulk bills to USSC. This is best
17 exemplified in the percentage of unaccounted-for water experienced in September 2008
18 shown on Ms. Hendrix’s exhibit. There, the exhibit reflects that the Company sold
19 approximately 50% more water than it purchased from its bulk supplier, the City of
20 Columbia. This large deviation clearly results in part from a timing discrepancy between
21 bills rendered by the bulk supplier and bills rendered by USSC. Therefore, in order to

1 provide a more accurate picture of unaccounted for account water in the Dutchman Shores
2 system, I felt it necessary to include the additional data from September and October 2008 to
3 correct this discrepancy. I would note that Ms. Hendrix seeks to use data for a twelve month
4 period which excludes September and October of 2008; but when those months are included
5 in a twelve month period, unaccounted for water in the Dutchman Shores Subdivision is only
6 4.72% – which is far below the AWWA 10% standard and the standard the Commission has
7 observed.

8 **Q. ARE YOU AWARE OF ANY INVESTIGATION OF POTENTIAL WATER LOSS IN**
9 **THE DUTCHMAN SHORES SUBDIVISION?**

10 A. Yes. We conducted our own investigation and found no evidence of significant
11 system leaks. Also, I am aware that that ORS has investigated and studied unaccounted for
12 water issues on USSC's entire system, including Dutchman Shores. USSC has fully
13 cooperated with ORS in this study and provided copies of all documentation requested.

14 **Q. WOULD YOU PLEASE ADDRESS MS. HENDRIX'S ALLEGATION THAT USSC**
15 **MAY BE USING MORE THAN AN APPROPRIATE PORTION OF EMPLOYEE**
16 **LABOR COSTS FOR JUSTIFICATION IN THE USSC RATE CASES?**

17 A. Yes. As the Commission is well aware from its nearly thirty years of experience
18 regulating subsidiaries of UI, Water Service Corporation, or WSC, is a wholly owned
19 subsidiary of UI that provides management services to USSC and other operating
20 subsidiaries in the sixteen states where UI has operations. These services include
21 management, administration, engineering, accounting, billing, data processing, and

1 regulatory services for the utility systems and are provided on the basis of a service
2 agreement that has been in effect for a number of years. Some expenses of WSC are charged
3 directly to the affiliated utility companies, while other expenses are classified as indirect
4 charges and are allocated to the operating companies via various allocation procedures which
5 have long been approved by the Commission. This allocation method helps ensure that each
6 subsidiary, and, therefore, each customer, bears its proportionate share of the costs related to
7 WSC's services. While WSC employees may perform work and services for several UI
8 subsidiaries in South Carolina, the costs related to this labor is either directly charged to
9 those companies or is allocated among the subsidiaries as appropriate. As the Commission's
10 decisions through the years accepting this arrangement reflect, this process is cost efficient
11 since it avoids duplication of these services and functions for each operating subsidiary. This
12 conclusion is tested in each rate case by an audit of the allocations and the records of WSC.
13 Therefore, Ms. Hendrix's suggestion that the Company is recovering more than appropriate
14 portion of labor costs from its customers is incorrect and contrary to this Commission's
15 previous findings with respect to USSC and the other UI entities in South Carolina.

16 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

17 **A. Yes.**

Building Code Ordinance

County of Lexington



Adopted April 8, 2008

and related accessories as covered in this code. These requirements apply to gas piping systems extending from the point of delivery to the inlet connections of appliances and the installation and operation of residential and commercial gas appliances and related accessories.

1.4.3 Mechanical. The provisions of the *International Mechanical Code* shall apply to the installation, alterations, repairs and replacement of mechanical systems, including equipment, appliances, fixtures, fittings and/or appurtenances, including ventilating, heating, cooling, air-conditioning and refrigeration systems, incinerators and other energy-related systems.

1.4.4 Plumbing. The provisions of the *International Plumbing Code* shall apply to the installation, alteration, repair and replacement of plumbing systems, including equipment, appliances, fixtures, fittings and appurtenances, and where connected to a water or sewage system and all aspects of a medical gas system.

1.4.5 Fire Prevention. The provisions of the *International Fire Code* shall apply to matters affecting or relating to structures, processes and premises from the hazard of fire and explosion arising from the storage, handling or use of structures, materials or devices; from conditions hazardous to life, property or public welfare in the occupancy of structures or premises; and from the construction, extension, repair, alteration or removal of fire suppression and alarm systems or fire hazards in the structure or on the premises from occupancy or operation.

1.4.6 Energy Conservation. The provisions of the *International Energy Code* shall regulate the design of building envelopes for adequate thermal resistance and low air leakage and the design and selection of mechanical, electrical, service water-heating, and illumination systems and equipment which will enable effective use of energy in new building construction. It is intended that these provisions provide flexibility to permit the use of innovative approaches and techniques to achieve effective utilization of energy.

SECTION 604
DESIGN OF BUILDING WATER
DISTRIBUTION SYSTEM

604.8 Water-pressure reducing valve or regulator. Where water pressure within a building exceeds 80 psi (552 kPa) static, an approved water pressure reducing valve conforming to ASSE 1003 with strainer shall be installed to reduce the pressure in the building water distribution piping to 80 psi (552 kPa) static or less.

Exception: Service lines to sill cocks and outside hydrants, and main supply risers where pressure from the mains is reduced to 80 psi (552 kPa) or less at individual fixtures.

604.8.1 Valve design. The pressure-reducing valve shall be designed to remain open to permit uninterrupted water flow in case of valve failure.

Pass-through Amounts		
Year	Month	Pass-through Total
2007		
	9	\$ 4,664.52
	10	\$ 3,898.58
	11	\$ 3,188.25
	12	\$ 2,628.60
2008		
	1	\$ 2,685.93
	2	\$ 2,577.41
	3	\$ 2,455.52
	4	\$ 2,170.22
	5	\$ 2,419.12
	6	\$ 2,533.65
	7	\$ 17.74
	8	\$ 2,856.20
	9	\$ 6,987.37
	10	\$ 1,593.73
	11	\$ 5,569.45
Total		\$ 46,246.29

12-month Period	Total Pass-through Amount during Period	Percentage of Total Bulk Bill (\$33,890.66)
9/2007 to 8/2008	\$32,095.74	94.70%
10/2007 to 9/2008	\$34,418.59	101.56%
11/2007 to 10/2008	\$32,113.74	94.76%
12/2007 to 11/2008	\$34,494.94	101.78%
Total	\$133,123.01	
Average 12-month Billing Period Pass-through Amount	\$33,280.75	98.20%

Current Method of Recovering Pass through Amount by Using Delayed Bulk Bill				
	April Customer Bill Using Actual December Bulk Bill	April Customer Bill Using Actual February Bulk Bill	August Customer Bill Using Actual June Bulk Bill	October Customer Bill Using Actual August Bulk Bill
Number of Customers in Subdivision	100	100	100	100
Assumed Metered Consumption per Customer (gallons)	6,000	10,000	10,000	6,000
Amount of Bulk Bill to USSC	\$2,000.00	\$2,000.00	\$5,000.00	\$5,000.00
Per 1000 Gallon Pass Through Charge	\$3.33	\$2.00	\$5.00	\$8.33
Customer Pro Rata Share of Bulk Bill Based on Current Month Consumption	\$20.00	\$20.00	\$50.00	\$50.00

Proposed Method of Recovering Pass Through Amount by Estimating Bulk Bill				
	August Customer Bill Using Estimated August Bulk Bill	October Customer Bill Using Estimated October Bulk Bill	February Customer Bill Using Estimated February Bulk Bill	April Customer Bill Using Estimated April Bulk Bill
Number of Customers in Subdivision	100	100	100	100
Assumed Metered Consumption per Customer (gallons)	10,000	6,000	6,000	10,000
Amount of Bulk Bill to USSC	\$5,000.00	\$2,000.00	\$2,000.00	\$5,000.00
Per 1000 Gallon Pass Through Charge	\$5.00	\$3.33	\$3.33	\$5.00
Customer Pro Rata Share of Bulk Bill Based on Current Month Consumption	\$50.00	\$20.00	\$20.00	\$50.00

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2009-102-W

IN RE:)	
)	
Leslie and Mark Hendrix,)	
)	
Complainants/Petitioners,)	CONDITIONAL
)	DIRECT TESTIMONY
v.)	OF
)	BRUCE T. HAAS
Utilities Services of South Carolina, Inc.,)	
Defendant/Respondent)	
_____)	

1 **Q. ARE YOU THE SAME BRUCE T. HAAS THAT HAS PREFILED DIRECT**
2 **TESTIMONY IN THIS MATTER?**

3 A. Yes, I am.

4 **Q. WHAT IS THE PURPOSE OF YOUR CONDITIONAL DIRECT TESTIMONY IN**
5 **THIS PROCEEDING, MR. HAAS?**

6 A. The purpose of my conditional direct testimony is to address allegations made by Ms.
7 Hendrix in her prefiled direct testimony regarding adjustments made by Utilities Services of
8 South Carolina, Inc. (“USSC”) on the accounts of two properties in the Dutchman Shores
9 subdivision.

10 **Q. WHY IS THIS TESTIMONY BEING FILED AS “CONDITIONAL” DIRECT**
11 **TESTIMONY?**

1 A. It is my understanding that portions of Ms. Hendrix's testimony may be objectionable
2 on the grounds of hearsay. If her testimony is not allowed, then this testimony would not be
3 necessary.

4 **Q. DO YOU HAVE ANY RESPONSE TO MS. HENDRIX'S ALLEGATION THAT**
5 **USSC DID NOT MAKE AN ADJUSTMENT TO THE CUSTOMER'S ACCOUNT AT**
6 **103 HARDING STREET IN THE DUTCHMAN SHORES SUBDIVISION?**

7 A. Yes. Contrary to Ms. Hendrix's testimony that the resident at 103 Harding Street did
8 not receive a credit for a water leak at her property, USSC's billing records, a copy of which
9 is attached to my conditional direct testimony as Exhibit A, demonstrates that, on March 19,
10 2008, USSC credited this customer for a water leak of 895 gallons.

11 **Q. DO YOU HAVE ANY RESPONSE TO MS. HENDRIX'S TESTIMONY THAT**
12 **WATER CONSUMPTION SHOWN ON A MISREAD METER SHOULD NOT BE**
13 **COUNTED AS PART OF ACCOUNTED WATER LOSS?**

14 A. Yes, Ms. Hendrix is mistaken in this regard. In January 2008, a misread meter at 132
15 Harding Street in the Dutchman Shores subdivision incorrectly reflected that the customer
16 had consumed 75,196 gallons of water more than was actually consumed. The misreading
17 had the effect of inflating the amount of water sold to customers by 75,196 gallons. As is
18 shown on Exhibit B of Ms. Hendrix's direct testimony, the inflated consumption suggested
19 that more water was sold to customers than was actually purchased from bulk suppliers;
20 therefore, the Company's unaccounted for water calculations incorrectly reflected a negative
21 amount of unaccounted for water for the month of January 2008. In order to correct this
22 discrepancy and to offset the misread gallonage of water which was included in January

1 2008, an adjustment was made to the March 2008 unaccounted for water calculations. This
2 adjustment had the effect of simply offsetting the incorrect meter reading in January 2008.
3 If this adjustment had not been made and was not reflected in the data shown in Ms.
4 Hendrix's Exhibit B, the total amount of unaccounted for water shown would actually be
5 understated.

6 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

7 A. Yes.

8

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2009-102-W

IN RE:)	
)	
Leslie and Mark Hendrix,)	
Complainant/Petitioner)	
)	
v.)	CERTIFICATE OF SERVICE
)	
Utilities Services of South Carolina, Inc.,)	
Defendant/Respondent)	
_____)	

This is to certify that I have caused to be served this day one (1) copy of Defendant's **Direct Testimony of Bruce T. Haas and Conditional Direct Testimony of Bruce T. Haas** in the above-referenced action by placing same in the care and custody of the United States Postal Service with first class postage affixed thereto and addressed as follows:

Leslie and Mark Hendrix
125 Dutch Point Road
Chapin, SC 29036

Jeffrey M. Nelson, Esquire
Office of Regulatory Staff
Post Office Box 11263
Columbia, South Carolina 29211



Clark Fancher

Columbia, South Carolina
This 7th day of July, 2009.